

*SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION  
COLUMBIA, SOUTH CAROLINA*

Report on Financial Statements

*For the Years Ended June 30, 2020 and 2019*



SOUTH CAROLINA OFFICE OF THE STATE AUDITOR  
1401 Main Street, Suite 1200 • Columbia, SC 29201

December 23, 2020

Members of the South Carolina Educational Television Commission  
South Carolina Educational Television Commission  
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Educational Television Commission for the fiscal year ended June 30, 2020, was issued by The Hobbs Group, PA, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

George L. Kennedy, III, CPA  
State Auditor

GLKIII/sag

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June 30, 2020

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## INDEPENDENT AUDITORS' REPORT

Mr. George L. Kennedy, III, CPA  
State Auditor  
South Carolina Office of the State Auditor  
Columbia, South Carolina

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Carolina Educational Television Commission (the "Network"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Network's basic financial statements as listed in the table of contents.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Network's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITORS' RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Network, as of June 30, 2020 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## EMPHASIS OF MATTER

As described in Note 1, the financial statements of the Network are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of South Carolina (the "State") that is attributable to the transactions of the Network. They do not purport to and do not present fairly the financial position of the State as of June 30, 2020, the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America and do not include other agencies, divisions, or component units of the State. Our opinions are not modified with respect to this matter.

## OTHER MATTERS

The financial statements of the Network for the year ended June 30, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on January 29, 2020.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9, budgetary comparison information, pension plan schedules and other post-employment benefit schedules on pages 47 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information

because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Network's basic financial statements. The accompanying schedule of revenues – radio and television on page 55 and schedule of expenditures – radio and television on page 56 (the "schedules") is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2020 on our consideration of the Network's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Network's internal control over financial reporting and compliance.

Columbia, South Carolina  
December 23, 2020

*The Hall Group, P.A.*

## **South Carolina Educational Television**

### **Management's Discussion and Analysis**

#### ***Overview of the Financial Statements and Financial Analysis***

As management of the South Carolina Educational Television Commission ("the Network"), we provide this Management's Discussion and Analysis of the Network's financial statements for the fiscal year ended June 30, 2020 as a narrative overview and analysis. We encourage readers to consider this information in conjunction with the Network's financial statements, which follow.

This report consists of a series of financial statements, prepared in accordance with the accounting principles generally accepted in the United States. The financial statements presented focus on the financial condition of the Network and the results of its operations.

This discussion and analysis are intended to serve as an introduction to the Network's basic financial statements. The Network's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The *government-wide financial statements* provide an overview of the Network's operations. The government-wide financial statements include two statements: The Statement of Net Position and the Statement of Activities.

The *fund financial statements* provide information on the Network's funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All the Network's funds are classified as governmental funds. The Network's governmental funds include the General Fund, Non-Federal Grants, Capital Projects and the Education Improvement Act Funds.

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The following discussion and analysis of the Network's government-wide and governmental funds financial statements provides an overview of its financial activities for the year. Comparisons to the prior fiscal year are also made.

#### ***Statements of Net Position***

The Statement of Net Position presents information reflecting the Network's assets, liabilities, deferred inflows and outflows of resources and net position as of the end of the fiscal year. This statement provides the reader with a snapshot view at a point in time. Net position represents the amount of total assets and deferred outflows of resources less liabilities and deferred inflows of resources. Assets and liabilities are shown as current and noncurrent. Current assets are those with immediate liquidity or which are collectible or due within twelve months of the statement date. The Statement of Net Position indicates the funds available for the Network's operation along with liabilities that will come due.



The assets and deferred outflows of resources of the Network exceeded its liabilities and deferred inflows of resources by \$27.8 million at fiscal year ending June 30, 2020 (See Table 1 below for a summary of net position for fiscal years 2019-2020 and 2018-2019).

**Table 1 – Condensed Statements of Net Position**

	2020	2019 (as restated)	Increase/ (Decrease)	% Change	2018
<b>Assets</b>					
Current assets	\$ 25,896,078	\$ 33,960,570	\$ (8,064,492)	-23.75%	\$ 41,997,985
Capital assets	30,002,448	27,789,282	2,213,166	7.96%	22,093,194
Total assets	<u>55,898,526</u>	<u>61,749,852</u>	<u>(5,851,326)</u>	-9.48%	<u>64,091,179</u>
Deferred outflows of resources	3,383,790	3,000,630	383,160	12.77%	2,941,244
<b>Liabilities</b>					
Current liabilities	2,951,248	7,174,889	(4,223,641)	-58.87%	5,291,015
Noncurrent liabilities	26,409,084	26,328,778	80,306	0.31%	25,311,123
Total liabilities	<u>29,360,332</u>	<u>33,503,667</u>	<u>(4,143,335)</u>	-12.37%	<u>30,602,138</u>
Deferred inflows of resources	2,145,259	1,131,100	1,014,159	89.66%	1,255,389
<b>Net Position</b>					
Net investment in capital assets	30,002,448	27,789,282	2,213,166	7.96%	22,093,194
Restricted	16,824,640	21,945,238	(5,120,598)	-23.33%	34,180,266
Unrestricted	(19,050,363)	(19,618,805)	568,442	-2.90%	(21,098,564)
Total net position	<u>\$ 27,776,725</u>	<u>\$ 30,115,715</u>	<u>\$ (2,338,990)</u>	-7.77%	<u>\$ 35,174,896</u>

Total assets and deferred outflows of resources of the Network decreased by approximately \$5.5 million. This decrease is attributed the continued investment in capital assets offset by depreciation expense. Cash and cash equivalents decreased approximately \$8.0 million over the previous year. The decrease in cash and cash equivalents can be largely attributed to the purchases of capital assets.

The decrease of approximately \$4.2 million in current liabilities is attributable to a decrease in unearned revenues of approximately \$4.6 million offset by increases in payables due to timing of cash disbursements. Unearned revenues decreased as a result of an increase in expenditures related to the Education Improvement Act (EIA) funds for their specified purpose allowing for the recognition of revenue that had been previously recorded as unearned in prior years.

Net position of the Network decreased during the year by approximately \$2.3 million largely driven by the significant amounts of capital assets purchased offset by decreases in cash and cash equivalents and increases in the net OPEB liability and related deferred inflows of resources and other factors described above. Total net position at June 30, 2020 was \$27.8 million, of which \$30.0 million was invested in capital assets, \$16.8 million was restricted for capital reserves or capital projects, and a deficit of \$19.1 million in unrestricted net position due primarily to the net pension and OPEB liabilities.

## Statements of Activities

This statement represents the program revenues and expenses, as well as any general revenue that the Network receives. The purpose of this statement is to present the reader with information relating to revenues earned and expenses incurred during the fiscal year ending June 30, 2020.

(See Table 2 for a comparison of revenues, expenses and changes in net position for fiscal years 2019-2020 and 2018-2019).

**Table 2 – Statements of Activities**

	2020	2019 (as restated)	Increase / (Decrease)	% Change	2018
Revenue					
Program revenues:					
Charges for services	\$ 6,916,710	\$ 7,506,346	(589,636)	-7.9%	\$ 2,696,222
Operating grants and contributions	13,382,865	6,540,975	6,841,890	104.6%	7,938,093
Total program revenues	20,299,575	14,047,321	6,252,254	44.5%	10,634,315
General revenues:					
Contributions	7,106,546	6,092,859	1,013,687	16.6%	6,107,603
Gain on sale of capital assets	-	-	-	0.0%	11,443
Interest and investment income	398,713	476,054	(77,341)	-16.2%	364,804
Special items, net	-	-	-	0.0%	35,000,000
Intergovernmental - state agencies	1,827,139	623,057	1,204,082	193.3%	3,937,186
Total general revenues	9,332,398	7,191,970	2,140,428	29.8%	45,421,036
Total revenues	29,631,973	21,239,291	8,392,682	39.5%	56,055,351
Expenses					
Educational broadcasting:					
Personal services	10,884,738	9,681,137	1,203,601	12.4%	9,350,319
Pension expense	301,142	492,777	(191,635)	-38.9%	526,204
OPEB expense	221,320	298,595	(77,275)	-25.9%	274,354
Other operating costs	15,729,482	12,820,120	2,909,362	22.7%	11,114,811
Depreciation	4,834,281	3,005,843	1,828,438	60.8%	2,153,505
Total expenses	31,970,963	26,298,472	5,672,491	21.6%	23,419,193
(Decrease) / increase in net position	(2,338,990)	(5,059,181)	2,720,191	-53.8%	32,636,158
Net position - beginning of year	30,115,715	35,174,896	(5,059,181)	-14.4%	2,538,738
Net position - end of year	<u>\$ 27,776,725</u>	<u>\$ 30,115,715</u>	<u>(2,338,990)</u>	-7.8%	<u>\$ 35,174,896</u>

General revenues for the 2020 fiscal year totaled approximately \$9.3 million which is an increase of approximately \$2.1 million which is largely driven by the increase in contributions from the ETV Endowment of South Carolina, Inc. and appropriations from the State.

The Network received a State General Fund Appropriation for fiscal year (“FY”) 2019-2020 of \$1,776,139. The Network was also funded through budget provisos and Education Improvement Act funds in the 2019-2020 Appropriations Act.

Program revenues for the Network are classified in three categories: Charges for Services, Operating Grants, and Capital Grants. Charges for services are received for providing services to the various customers and constituencies of the Network. Operating grants are primarily made up of the Community Service Grants received from the Corporation for Public Broadcasting and private grants. Operating grants are used in the ongoing operations of the Network. Capital grants are related to capital equipment and construction projects.

Program revenue from all sources during the fiscal year totaled approximately \$20.3 million, which is an increase of approximately \$6.3 million over the prior year. The increase is due primarily to the realization of unearned revenue related to EIA funding due to increased EIA related expenses.

Expenses for the Network are shown under the category of Educational Broadcasting and are classified as Personal Services, Pension Expense, OPEB Expense, Other Operating, and Depreciation. Personal Service costs were approximately \$10.9 million which increased due primarily to an increased number of employees at the Network. Pension expense costs were approximately \$301,000 and OPEB expense costs were approximately \$221,000. These were reductions from the prior year due to underlying plan activities as well as a reduction in the Network’s proportionate share of these liabilities. Other operating costs totaled approximately \$15.7 million which was an increase of approximately \$2.9 million caused by more of the Networks expenditures being capitalized and thus not recognized as an expense during 2019 as compared to 2020. Depreciation expense totaled approximately \$4.8 million which was a significant increase over the prior year due to a substantial amount of capital asset additions beginning depreciation in the current year. The Statement of Activities reflects a decrease in net position for the current fiscal year of approximately \$2.3 million due to these factors.

### ***Budgetary Highlights:***

Over the course of the year, appropriations transfers increased the original budget by approximately \$6.8 million. Changes between original and final budgeted amounts are associated with carryforwards of funds and various program needs throughout departments. The Network ended the year with a positive budget variance of approximately \$13.6 million based on actual budgetary basis figures.

### ***Fund Financial Analysis:***

The Network uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

### ***Governmental Funds:***

The focus of the Network's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Network's financing requirements. In particular, the unassigned and restricted fund balances may serve as a useful measure of the Network's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Network's governmental funds reported combined ending fund balances of approximately \$23.6 million, a decrease of approximately \$3.9 million for the year.

Unassigned fund balance accounts for approximately \$6.5 million, of ending fund balance, and is available for administrative expenditures made in accordance with federal and State regulations.

Restricted fund balance accounts for approximately \$16.8 million of ending fund balance, and excludes amounts that can only be spent for specific purposes stipulated by the State, external resource providers, or through enabling legislation. The Network's restricted fund balance consists primarily of amounts restricted for capital projects.

Assigned fund balance accounts for approximately \$27 thousand of ending fund balance and is assigned for expenditure in accordance with the Education Improvement Act.

Non-spendable fund balance accounts for approximately \$217,000 of ending fund balance, and represents prepaid items.

### ***Capital Assets***

The Network's Capital Assets net of depreciation were approximately \$30 million at June 30, 2020. This investment in capital assets includes land, buildings and improvements, equipment and furniture, vehicles and construction in progress. Table 3 summarizes capital assets at June 30, 2020, 2019, and 2018.

**Table 3 - Network Capital Assets**

	2020	2019	2018
Land	\$ 783,269	\$ 583,269	\$ 583,269
Building and improvements	17,912,423	19,401,592	19,384,017
Equipment and furniture	85,151,121	78,716,086	72,646,483
Vehicles	2,204,368	1,605,165	1,397,397
Construction in progress	401,712	7,113,510	4,761,384
Total cost	106,452,893	107,419,622	98,772,550
Less: accumulated depreciation	76,450,445	79,630,340	76,679,356
Net capital assets	<u>\$ 30,002,448</u>	<u>\$ 27,789,282</u>	<u>\$ 22,093,194</u>

The net increase in the Network's investment in capital assets for the current fiscal year was approximately \$2.2 million and can be attributed primarily to additional investments in communications equipment partially offset by additional depreciation expense.

## ***Economic Outlook***

During the fiscal year ended June 30, 2020, the Network had some major changes due to COVID-19. The staff at the Network started to perform many of their roles at remote locations in response to COVID. Our facility rentals dramatically decreased by 60% due to vendors not having regular scheduled meetings or gatherings as they had once had in the past. The Network began two separate funding initiatives to support remote connection to educational content via datacasting throughout the State. The Rethink K12 initiative through the US Department of Education is awarding the Network \$2,392,500 over 3 years to support datacasting. The Rethink K12 initiative represents 1% of the \$30.75 billion in Congressional funding allotted to the Education Stabilization Fund through the CARES Act for grants to states with the highest coronavirus burden. The program supports new, innovative ways to access education with an emphasis on meeting students' needs during the coronavirus national emergency. In addition to the Rethink K12 initiative funding, the COVID-19 Response Reserve initiative awarded the Network \$1,293,427 in funding for the fiscal year ending June 30, 2021 to support the needed infrastructure for the expansion of the datacasting service. Through this initiative, the Network plans to serve approximately 5,000 students across 34 school districts which were significantly impacted by the coronavirus pandemic. Datacasting technology supports the delivery of instructional content to students living in areas with limited or no broadband access.

## ***Requests for Information***

This financial report is designed to provide a general overview of the South Carolina Educational Television Commission's finances for all the Network's taxpayers, customers and creditors. This financial report seeks to demonstrate the Network's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the President of the South Carolina Educational Television Commission, 1041 George Rogers Boulevard, Columbia, South Carolina 29201.

## AUDITED FINANCIAL STATEMENTS

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**  
**STATEMENTS OF NET POSITION**  
**JUNE 30,**

	<b>2020 Governmental Activities</b>	<b>2019 Governmental Activities (as restated)</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 8,419,388	\$ 11,285,268
Restricted cash	16,824,640	21,945,238
Accounts receivable	434,347	528,624
Prepaid expenses	217,703	201,440
Total current assets	<u>25,896,078</u>	<u>33,960,570</u>
Non-current assets		
Capital assets, net of accumulated depreciation	30,002,448	27,789,282
Total non-current assets	<u>30,002,448</u>	<u>27,789,282</u>
<b>Total assets</b>	<u>55,898,526</u>	<u>61,749,852</u>
Deferred outflows of resources related to net pension liability	1,791,121	2,135,216
Deferred outflows of resources related to net OPEB liability	1,592,669	865,414
<b>Total deferred outflows of resources</b>	<u>3,383,790</u>	<u>3,000,630</u>
<b>Total assets and deferred outflows of resources</b>	<u>59,282,316</u>	<u>64,750,482</u>
 <b>LIABILITIES AND NET POSITION</b>		
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable	626,138	331,775
Accrued salaries and related benefits	935,237	832,166
Unearned revenue	734,170	5,337,015
Current portion of accrued compensated absences and related benefits	655,703	673,933
Total current liabilities	<u>2,951,248</u>	<u>7,174,889</u>
Noncurrent liabilities:		
Accrued compensated absences and related benefits, net of current portion	730,814	462,248
Net OPEB liability	11,683,948	11,377,432
Net pension liability	13,994,322	14,489,098
Total noncurrent liabilities	<u>26,409,084</u>	<u>26,328,778</u>
<b>Total liabilities</b>	<u>29,360,332</u>	<u>33,503,667</u>
Deferred inflows of resources related to net pension liability	652,139	200,316
Deferred inflows of resources related to net OPEB liability	1,493,120	930,784
<b>Total deferred inflows of resources</b>	<u>2,145,259</u>	<u>1,131,100</u>
<b>Total liabilities and deferred inflows of resources</b>	<u>31,505,591</u>	<u>34,634,767</u>
 <b>Net Position:</b>		
Net investment in capital assets	30,002,448	27,789,282
Restricted:		
Capital projects	171,741	284,924
Capital reserve	16,652,899	21,660,314
Unrestricted	(19,050,363)	(19,618,805)
<b>Total net position</b>	<u>\$ 27,776,725</u>	<u>\$ 30,115,715</u>

*The accompanying notes are an integral part of these financial statements.*

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30,**

	<b>2020 Governmental Activities</b>	<b>2019 Governmental Activities (as restated)</b>
Expenses:		
Educational broadcasting:		
Personal services	<b>\$ 10,884,738</b>	\$ 9,681,137
Pension expense	<b>301,142</b>	492,777
OPEB expense	<b>221,320</b>	298,595
Other operating costs	<b>15,729,482</b>	12,820,120
Depreciation	<b>4,834,281</b>	3,005,843
Total program expenses	<b>31,970,963</b>	26,298,472
Program revenues:		
Charges for services	<b>6,916,710</b>	7,506,346
Operating grants and contributions	<b>13,382,865</b>	6,540,975
Net program expenses	<b>11,671,388</b>	12,251,151
General revenues, special items and transfers:		
Contributions	<b>7,106,546</b>	6,092,859
Interest and other investment income	<b>398,713</b>	476,054
Intergovernmental - State Agencies	<b>1,827,139</b>	623,057
Total general revenues, special items and transfers	<b>9,332,398</b>	7,191,970
(Decrease) increase in net position	<b>(2,338,990)</b>	(5,059,181)
Net position - beginning of year	<b>30,115,715</b>	35,174,896
Net position - end of year	<b>\$ 27,776,725</b>	\$ 30,115,715

***The accompanying notes are an integral part of these financial statements.***



**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2020

	General	Education Improvement Act	Non-Federal Grants	Capital Projects	Total Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 7,291,645	\$ 552,058	\$ 575,685	\$ -	\$ 8,419,388
Restricted cash	16,652,899	-	-	171,741	16,824,640
Accounts receivable	434,347	-	-	-	434,347
Due from other funds	620,861	280,815	166,974	-	1,068,650
Prepaid expenses	217,703	-	-	-	217,703
<b>TOTAL ASSETS</b>	<b>\$ 25,217,455</b>	<b>\$ 832,873</b>	<b>\$ 742,659</b>	<b>\$ 171,741</b>	<b>\$ 26,964,728</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 607,983	\$ 18,131	\$ 24	\$ -	\$ 626,138
Accrued salaries and related benefits	926,772	-	8,465	-	935,237
Due to other funds	280,815	787,835	-	-	1,068,650
Unearned revenues	-	-	734,170	-	734,170
<b>TOTAL LIABILITIES</b>	<b>1,815,570</b>	<b>805,966</b>	<b>742,659</b>	<b>-</b>	<b>3,364,195</b>
<b>FUND BALANCES:</b>					
Nonspendable					
Prepaid expenses	217,703	-	-	-	217,703
Restricted for capital projects/reserves					
Capital reserve	16,652,899	-	-	-	16,652,899
Capital projects	-	-	-	171,741	171,741
Assigned					
Educational improvement	-	26,907	-	-	26,907
Unassigned	6,531,283	-	-	-	6,531,283
<b>TOTAL FUND BALANCES</b>	<b>23,401,885</b>	<b>26,907</b>	<b>-</b>	<b>171,741</b>	<b>23,600,533</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 25,217,455</b>	<b>\$ 832,873</b>	<b>\$ 742,659</b>	<b>\$ 171,741</b>	<b>\$ 26,964,728</b>

*The accompanying notes are an integral part of these financial statements.*

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2019**

	General	Education Improvement Act	Non-Federal Grants	Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,180,023	\$ 5,472,622	\$ 632,623	\$ -	\$ 11,285,268
Restricted cash	21,660,314	-	-	284,924	21,945,238
Accounts receivable	495,470	33,154	-	-	528,624
Prepaid expenses	201,440	-	-	-	201,440
<b>TOTAL ASSETS</b>	<b>\$ 27,537,247</b>	<b>\$ 5,505,776</b>	<b>\$ 632,623</b>	<b>\$ 284,924</b>	<b>\$ 33,960,570</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 330,325	\$ 1,450	\$ -	\$ -	\$ 331,775
Accrued salaries and related benefits	541,751	282,314	8,101	-	832,166
Unearned revenues	-	4,712,493	624,522	-	5,337,015
<b>TOTAL LIABILITIES</b>	<b>872,076</b>	<b>4,996,257</b>	<b>632,623</b>	<b>-</b>	<b>6,500,956</b>
<b>FUND BALANCES:</b>					
Nonspendable					
Prepaid expenses	201,440	-	-	-	201,440
Restricted for capital projects/reserves					
Capital reserve	21,660,314	-	-	-	21,660,314
Capital projects	-	-	-	284,924	284,924
Assigned					
Educational improvement	-	509,519	-	-	509,519
Unassigned	4,803,417	-	-	-	4,803,417
<b>TOTAL FUND BALANCES</b>	<b>26,665,171</b>	<b>509,519</b>	<b>-</b>	<b>284,924</b>	<b>27,459,614</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 27,537,247</b>	<b>\$ 5,505,776</b>	<b>\$ 632,623</b>	<b>\$ 284,924</b>	<b>\$ 33,960,570</b>

*The accompanying notes are an integral part of these financial statements.*

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION  
RECONCILIATIONS OF THE GOVERNMENTAL FUND BALANCE SHEETS  
TO THE STATEMENTS OF NET POSITION  
JUNE 30,**

	<b>2020 Governmental Activities</b>	2019 Governmental Activities (as restated)
<b>Reconciliations to the Statement of Net Position:</b>		
Fund balances to governmental funds	<b>\$ 23,600,533</b>	\$ 27,459,614
Certain amounts reported for governmental activities in the statement of net position are different because:		
Liabilities are not due and payable in the current period, therefore, are not reported in the funds:		
Accrued compensated absences and related benefits	<b>(1,386,517)</b>	(1,136,181)
The net pension liability, net OPEB liability, and related deferred inflows and outflows of resources are not due and payable in the current year and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position:		
Net pension liability	<b>(13,994,322)</b>	(14,489,098)
Net OPEB liability	<b>(11,683,948)</b>	(11,377,432)
Deferred outflows of resources related to net pension liability	<b>1,791,121</b>	2,135,216
Deferred outflows of resources related to net OPEB liability	<b>1,592,669</b>	865,414
Deferred inflows of resources related to net pension liability	<b>(652,139)</b>	(200,316)
Deferred inflows of resources related to net OPEB liability	<b>(1,493,120)</b>	(930,784)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds:		
Capital assets, net of accumulated depreciation	<b>30,002,448</b>	27,789,282
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 27,776,725</b>	\$ 30,115,715

*The accompanying notes are an integral part of these financial statements.*

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	General	Education Improvement Act	Non Federal Grants	Capital Projects	Total Governmental Funds
<b>REVENUES:</b>					
Contributions	\$ 7,106,546	\$ -	\$ -	\$ -	\$ 7,106,546
Intergovernmental - State Agencies	1,827,139	-	-	-	1,827,139
Program sales	47,237	-	-	-	47,237
Corporation for Public Broadcasting, Inc. grant	2,656,492	-	-	-	2,656,492
Education Improvement Act	-	10,588,588	-	-	10,588,588
Private grants and contracts	24,138	-	33,924	-	58,062
Charges for services	1,413,172	-	94,683	-	1,507,855
Rental fees	4,921,051	-	-	-	4,921,051
Interest and other investment income	398,713	-	-	-	398,713
Royalties	59,486	-	-	-	59,486
Miscellaneous	381,081	-	-	-	381,081
<b>TOTAL REVENUES</b>	<b>\$ 18,835,055</b>	<b>\$ 10,588,588</b>	<b>\$ 128,607</b>	<b>\$ -</b>	<b>\$ 29,552,250</b>
<b>EXPENDITURES:</b>					
Internal administration	2,115,969	694,457	-	-	2,810,426
Programs & services:					
Engineering administration	1,651,238	777,072	-	-	2,428,310
Transmissions & reception	2,378,925	2,091,537	106,110	-	4,576,572
Communications	744,094	-	-	-	744,094
Education	834,227	1,098,134	20,136	-	1,952,497
Agency, local and other education services	63,319	1,317,277	-	-	1,380,596
Training & assessment	-	102,782	-	-	102,782
Radio content	1,263,194	1,230,273	-	-	2,493,467
National content	1,696,856	1,130,329	-	-	2,827,185
Local & transparency	4,675,585	1,256,794	2,361	-	5,934,740
Development/Fundraising	119,740	269,228	-	-	388,968
Underwriting	403,575	96,313	-	-	499,888
Marketing	29,491	49,026	-	-	78,517
Capital outlay	6,043,311	957,978	-	200,000	7,201,289
<b>TOTAL EXPENDITURES</b>	<b>22,019,524</b>	<b>11,071,200</b>	<b>128,607</b>	<b>200,000</b>	<b>33,419,331</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(3,184,469)</b>	<b>(482,612)</b>	<b>-</b>	<b>(200,000)</b>	<b>(3,867,081)</b>
<b>OTHER FINANCING SOURCES AND TRANSFERS:</b>					
Proceeds from sale of capital assets	8,000	-	-	-	8,000
Transfers in	-	-	-	86,817	86,817
Transfers out	(86,817)	-	-	-	(86,817)
<b>TOTAL OTHER FINANCING SOURCES AND TRANSFERS</b>	<b>(78,817)</b>	<b>-</b>	<b>-</b>	<b>86,817</b>	<b>8,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(3,263,286)</b>	<b>(482,612)</b>	<b>-</b>	<b>(113,183)</b>	<b>(3,859,081)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>26,665,171</b>	<b>509,519</b>	<b>-</b>	<b>284,924</b>	<b>27,459,614</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 23,401,885</b>	<b>\$ 26,907</b>	<b>\$ -</b>	<b>\$ 171,741</b>	<b>\$ 23,600,533</b>

*The accompanying notes are an integral part of these financial statements.*

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	General (as restated)	Education Improvement Act	Non Federal Grants	Capital Projects	Total Governmental Funds (as restated)
<b>REVENUES:</b>					
Contributions	\$ 7,285,213	\$ -	\$ -	\$ -	\$ 7,285,213
Intergovernmental - State agencies	623,057	-	-	-	623,057
Program sales	38,079	-	-	-	38,079
Corporation for Public Broadcasting, Inc. grant	2,343,219	-	-	-	2,343,219
Education Improvement Act	-	3,970,040	-	-	3,970,040
Private grants and contracts	45,224	-	14,907	-	60,131
Charges for services	1,912,134	-	81,733	-	1,993,867
Rental fees	4,247,817	1,604	-	-	4,249,421
Interest and Other Investment Income	476,054	-	-	-	476,054
Royalties	30,677	-	-	-	30,677
Miscellaneous	83,681	-	-	-	83,681
<b>TOTAL REVENUES</b>	<b>17,085,155</b>	<b>3,971,644</b>	<b>96,640</b>	<b>-</b>	<b>21,153,439</b>
<b>EXPENDITURES:</b>					
Internal administration	3,755,148	99,804	-	-	3,854,952
Programs & services:					
Engineering administration	1,966,650	83,405	-	-	2,050,055
Transmissions & reception	1,791,740	1,861,562	89,012	-	3,742,314
Communications	351,432	-	-	-	351,432
Education	434,075	1,012,101	901	-	1,447,077
Agency, local and other education services	69,991	239,298	-	-	309,289
Training & assessment	-	69,229	-	-	69,229
Radio content	2,232,797	17,821	-	-	2,250,618
National content	2,526,434	-	-	-	2,526,434
Local & transparency	4,442,307	444,839	6,727	-	4,893,873
Development/Fundraising	347,773	-	-	-	347,773
Underwriting	387,387	-	-	-	387,387
Marketing	89,844	-	-	-	89,844
Capital outlay	8,696,809	5,123	-	-	8,701,932
<b>TOTAL EXPENDITURES</b>	<b>27,092,387</b>	<b>3,833,182</b>	<b>96,640</b>	<b>-</b>	<b>31,022,209</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(10,007,232)</b>	<b>138,462</b>	<b>-</b>	<b>-</b>	<b>(9,868,770)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(10,007,232)</b>	<b>138,462</b>	<b>-</b>	<b>-</b>	<b>(9,868,770)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>36,672,403</b>	<b>371,057</b>	<b>-</b>	<b>284,924</b>	<b>37,328,384</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 26,665,171</b>	<b>\$ 509,519</b>	<b>\$ -</b>	<b>\$ 284,924</b>	<b>\$ 27,459,614</b>

*The accompanying notes are an integral part of these financial statements.*

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**RECONCILIATIONS OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30,**

	<u>2020</u>	<u>2019</u> (as restated)
<b>Reconciliations to the Statement of Activities:</b>		
Net change in fund balances - total government funds	\$ (3,859,081)	\$ (9,868,770)
Amounts reported for governmental activities in the statement of activities are different because:		
Costs of capital assets are reported as expenditures in the governmental funds, but are recorded as capital asset additions in the statement of net position	7,201,289	8,701,932
Depreciation of capital assets is reported as an expense in the statement of activities	(4,834,281)	(3,005,843)
The disposal of capital assets removes the gross value and accumulated depreciation of the asset from the statement of net position resulting in a loss on disposal on the statement of activities	(153,842)	-
Nonemployer OPEB contribution revenue is reported as revenue in the statement of activities	79,723	85,852
Some expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in governmental funds:		
Proportionate share of pension expense	(301,142)	(492,777)
Proportionate share of OPEB expense	(221,320)	(298,595)
Change in accrued compensated absences and related benefits	(250,336)	(180,980)
<b>CHANGE IN NET POSITION</b>	<u><u>\$ (2,338,990)</u></u>	<u><u>\$ (5,059,181)</u></u>

*The accompanying notes are an integral part of these financial statements.*

## **SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019**

#### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the South Carolina Educational Television Commission (the "Network") conform to accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body in the United States of America for establishing governmental accounting and financial reporting principles. The Network's significant accounting principles are described below.

#### **Reporting Entity**

The Network is responsible for the administration of the South Carolina Educational Television ("ETV") Commission systems. The Network is an agency of the State of South Carolina established by Section 59-7-10 of the Code of Laws of South Carolina.

The ETV Commission members are the governing body of the Network. There are nine members of the ETV Commission. The Governor appoints a member to the ETV Commission from each Congressional District and a member at-large who serves as Chairman. The State Superintendent of Education serves as an ex-officio member of the Commission.

The funds and account groups of the Network are included in the Comprehensive Annual Financial Report ("CAFR") of the State of South Carolina, the primary government. The core of the financial reporting entity is the primary government, which has a separately elected governing body. As required by generally accepted accounting principles, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn, component units may have component units. The Network has determined it has no component units.

An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity.

The primary government or entity is financially accountable if it appoints a voting majority of the organization's governing body, including situations in which the voting majority consists of the primary entity's officials serving as required by law (e.g., employees who serve in an ex officio capacity on the component unit's board are considered appointments by the primary entity) and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity also may be financially accountable if an organization is fiscally dependent on it even if it does not appoint a voting majority of the board. An organization is fiscally dependent on the primary entity that holds one or more of the following powers:

- (1) Determines its budget without another government having the authority to approve and modify that budget;
- (2) Levies taxes or set rates or charges without approval by another government; or,
- (3) Issues bonded debt without approval by another government.

The accompanying financial statements present the financial position and the results of operations of only that portion of the funds of the State of South Carolina that is attributable to the transactions of the Network.

## **SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019**

#### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

##### **Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed and are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are to be paid; the difference between the assets and liabilities is fund balance.

The Network reports the following major funds at June 30, 2020 and 2019:

**General Fund** - The general fund accounts for all activities except those required to be accounted for in another fund. Revenues include the annual state appropriation as approved by the General Assembly, Corporation for Public Broadcasting, Inc. ("CPB") grant funds, program sales, royalties, charges for services, contributions and cost reimbursements. The revenues are used for general ongoing governmental services such as administration, maintenance, program development and production, transmission and reception of programs, and debt service. Program sales revenues report amounts received from State agencies, the ETV Endowment and others for services related to and for support of programming, production and broadcasting of programs. The Network reports as charges for services revenue income from the ETV Endowment primarily for reimbursement of administrative services and other costs and income from State agencies and other entities for services not related to production of programs and for certain equipment.

**Educational Improvement Act ("EIA") Fund** – This fund is a special revenue fund that generally records the expenditure of revenues and contributions that are restricted to specific programs or projects. Revenues are restricted for certain purposes. The Network received an EIA allocation in the 2018-19 and 2019-20 South Carolina Appropriations Act in lieu of a general fund appropriation. The fund recognizes revenue when the expenditure is incurred.

**Non Federal Grants Fund** – This fund accounts for private grants for purposes other than capital projects.

The Network reports the following nonmajor funds at June 30, 2020 and 2019:

**Capital Projects Fund** – This fund accounts for federal grants, private grants and contracts, funds received from the State from capital improvement bonds and capital reserve fund appropriations and expenditures made from these resources.

##### **Government-wide and Fund Financial Statements**

The Government-wide financial statements are prepared on the accrual basis of accounting and include a statement of net position, which disclosed the financial position of the Network. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.



## **SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019**

#### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

##### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Network uses different availability periods for recognizing these revenues. Grant revenues are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues from sales of goods and services are recognized if received within one month after fiscal year-end. Other revenues are recognized if expected to be collected within one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

##### **Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Network, available means expected to be received within one year of the fiscal year-end.

Nonexchange transactions, in which the Network receives value without directly giving value in return, include grants and contributions. On an accrual basis, revenue from grants and contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Network must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Network on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

##### **Capital Assets**

Capital assets are recorded at cost at the date of acquisition and acquisition value at the date of donation in the case of gifts. The Network follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements costing \$100,000 or more that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The Network capitalized movable personal property with a unit value in excess of \$5,000 and a useful life in excess of one year and buildings and improvements and intangible assets costing in excess of \$100,000. Routine repairs and maintenance are charged to operating expenses in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles.

## **SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019**

#### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

##### **Budget Policy**

The Network is granted an annual appropriation for operating purposes by the South Carolina General Assembly. The appropriation as enacted becomes the legal operating budget for the Department. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total funds.

The Total Funds column in the Appropriation Act for each individual budgetary unit authorizes expenditures from all budgeted resources. A revenue budget is not adopted for individual budgetary units. The South Carolina General Assembly enacts the budget through passage of line-item appropriations by program within budgetary unit within budgetary fund category, State General Fund or other budgeted funds. Budgetary control is maintained at the line-item level of the budgetary entity. Agencies may process disbursement vouchers in the State's budgetary accounting system only if enough cash and appropriation authorization exist.

##### **Cash and Cash Equivalents**

The amounts shown in the financial statements as "cash and cash equivalents" represent petty cash, cash on hand with the State Treasurer, and cash invested in various instruments by the State Treasurer as part of the State's internal cash management pool.

Most State agencies, including the Network, participate in the State's internal cash management pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, and certain corporate bonds. For credit risk information pertaining to the cash management pool, see the deposits disclosure in Note 3.

The State's internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the State. The Network records and reports its deposits in the general deposit accounts at cost and records and reports its deposits in the special deposit accounts at fair value. Investments held by the pool are recorded at fair value. Interest earned by the Network's special deposit accounts is posted to the Network's account at the end of each month and is retained. Interest earnings are allocated based on the percentage of the Network's accumulated daily interest receivable to the total income receivable of the pool. Reported interest income includes interest earnings at the stated rate, realized gains/losses, and unrealized gains/losses arising from changes in the fair value of investments in the pool. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year-end based on the percentage ownership in the pool.

Some State Treasurer accounts are not included in the State's internal cash management pool because of restrictions on the use of the funds. For those accounts, cash equivalents include investments in short-term highly liquid securities having an initial maturity of three months or less at the time of acquisition.

##### **Restricted Cash**

The Network's restricted cash consists mostly of amounts restricted for capital projects namely the renovation of the Telecommunication Center and repacking of broadcast spectrum .

## **SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019**

#### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

##### **Accounts Receivable**

Accounts receivable consists primarily of amounts due for sales, services and rentals. The Network establishes an allowance for doubtful accounts based on historical data and an analysis of the aged receivables at year-end. The Network determined that an allowance for doubtful accounts was not necessary at June 30, 2020 and 2019.

##### **Prepaid Expenses**

Prepaid expenses are accounted for using the consumption method. Prepaid expenses consist primarily of payments made for a contract for the streaming of educational content to K-12 schools through the internet. For financial statement purposes, prepaid expenses are offset by a nonspendable fund balance account because the asset does not represent resources available for expenditures.

##### **Compensated Absences**

Generally, all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the agency's working days of the month are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and 45 days annual vacation leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave and compensatory holiday leave earned for which the employees are entitled to paid time off or payment at termination. The leave liability also includes an estimate for accrued sick leave and leave from the Network's leave transfer pool for employees who have been approved as leave recipients under personal emergency circumstances that commenced on or before June 30, 2020 and 2019. The Network calculates the gross compensated absences liability based on recorded balances of unused leave. The entire unpaid liability for which the employer expects to compensate employees through paid time off or cash payments, inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments, is recorded as a liability in the statement of net assets. For governmental activities, compensated absences are generally liquidated by the general fund.

##### **Net Position / Fund Balances**

On the government-wide financial statements, the Network reports its net position as net investment in capital assets, restricted and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when constraints placed on resource use are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulation of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is all resources that do not meet the definition of "net investment in capital assets" or "restricted net position".

The Network reports fund balance as restricted as defined above. Other constraints in its fund balance in the governmental funds as reported as committed or assigned. Fund balance is reported as committed if the ETV Commission constrains the use of resources. Fund balance is reported as assigned if the fund balance is constrained by the ETV Commission's intent to use the funds for a specific purpose. Committed constraints can be removed only through similar action that created the constraint. Non-spendable fund balance in the governmental funds reflects the lack of availability in form or substance of the assets and liabilities reported in the fund to meet obligations of the fund. Unassigned fund balances are all fund balances that do not meet the definition of "restricted", "assigned", "non-spendable" or "committed".

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Net Position / Fund Balances (continued)**

When both restricted and unrestricted resources (committed, assigned, and unassigned) are available for use, it is the Network's policy to use restricted resources first, then unrestricted resources as they are needed.

**Unearned Revenues**

Unearned revenues consist primarily of certain private grant contract revenues received before services required by the grantor or donor have been rendered.

**Deferred Outflows and Inflows of Resources**

Changes in the net pension liability and net OPEB liability not included in pension expense or OPEB expense, respectively, are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions made subsequent to the measurement date of the net pension liability and net OPEB liability are reported as deferred outflows of resources. Deferred outflows of resources and deferred inflows of resources are also determined by the difference in actual and expected liability experience, projected and actual returns on investments, deferred amounts from changes in the Network's proportionate share, changes in assumptions, and differences between the Network's contributions and its proportionate share of the total employer contributions to the plans.

**Pension**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS), as well as additions to and deductions from SCRS' fiduciary net position, have been determined on the same basis as they are reported by SCRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Post-Employment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the South Carolina Retiree Health Insurance Trust Fund (SCRHITF), as well as additions to and deductions from SCRHITF's fiduciary net position, have been determined on the same basis as they are reported by these OPEB plans. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

**CPB Grants**

The Network annually receives a grant from the Corporation for Public Broadcasting (CPB). The CPB is a non-federal, non-governmental, not-for-profit organization that receives grants from the federal government, the private sector, and other sources. The CPB then allocates grants to public television stations nationwide for community service and these funds are unrestricted for broadcasting operations.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities, revenues and expenses/expenditures and affect disclosure of contingent assets and liabilities at the balance sheet date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. The most significant estimates included in these financial statements are the estimated useful lives of property and equipment and the actuarially calculated net pension and OPEB liabilities. Actual results could differ from those estimates.

**Reclassifications**

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported change in net position or the change in fund balance for the year ended June 30, 2019.

**NOTE 2. STATE APPROPRIATION:**

The Network received a State Appropriation in the 2019-2020 Appropriation Act of \$1,776,139 during the fiscal year ended June 30, 2020. In the 2018-2019 Appropriation Act, the Network received a State Appropriation of \$623,057 during the fiscal year ended June 30, 2019. These amounts are included in operating grants and contributions on the statements of activities.

**NOTE 3. DEPOSITS:**

All deposits of the Network are under the control of the State Treasurer, who, by law, has sole authority for investing State funds.

The following schedule for fiscal year 2020 reconciles deposits within the footnotes to the financial statement amounts:

<u>Financial Statements</u>		<u>Footnotes</u>	
Cash and Cash Equivalents	\$ 8,419,388		
Restricted Cash	<u>16,824,640</u>	Deposits Held by State Treasurer	<u>\$ 25,244,028</u>
Totals	<u>\$ 25,244,028</u>	Totals	<u>\$ 25,244,028</u>

The following schedule for fiscal year 2019 reconciles deposits within the footnotes to the financial statement amounts:

<u>Financial Statements</u>		<u>Footnotes</u>	
Cash and Cash Equivalents	\$ 11,285,268		
Restricted Cash	<u>21,945,238</u>	Deposits Held by State Treasurer	<u>\$ 33,230,506</u>
Totals	<u>\$ 33,230,506</u>	Totals	<u>\$ 33,230,506</u>

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 3. DEPOSITS (continued):**

**Deposits Held by State Treasurer**

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agent in the State's name. Information pertaining to reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

**NOTE 4. CAPITAL ASSETS:**

The following schedule summarizes capital assets activity for the Network for the fiscal year 2020:

	Beginning Balances June 30, 2019	Increases	Decreases	Ending Balances June 30, 2020
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 583,269	\$ 200,000	\$ -	\$ 783,269
Construction in progress	7,113,510	-	(6,711,798)	401,712
Total capital assets not being depreciated	<u>7,696,779</u>	<u>200,000</u>	<u>(6,711,798)</u>	<u>1,184,981</u>
Other capital assets:				
Buildings and improvements	19,401,592	-	(1,506,744)	17,894,848
Equipment and furniture	78,716,086	12,969,979	(6,517,370)	85,168,695
Vehicles	<u>1,605,165</u>	<u>743,108</u>	<u>(143,905)</u>	<u>2,204,368</u>
Total other capital assets	<u>99,722,843</u>	<u>13,713,087</u>	<u>(8,168,019)</u>	<u>105,267,911</u>
Less accumulated depreciation for:				
Buildings and improvements	9,486,804	528,693	(1,366,536)	8,648,961
Equipment and furniture	68,954,962	4,083,167	(6,503,735)	66,534,394
Vehicles	<u>1,188,574</u>	<u>222,421</u>	<u>(143,906)</u>	<u>1,267,089</u>
Total accumulated depreciation	<u>79,630,340</u>	<u>4,834,281</u>	<u>(8,014,177)</u>	<u>76,450,444</u>
Other capital assets, net	<u>20,092,503</u>	<u>8,878,806</u>	<u>(153,842)</u>	<u>28,817,467</u>
Total capital assets, net	<u>\$ 27,789,282</u>	<u>\$ 9,078,806</u>	<u>\$ (6,865,640)</u>	<u>\$ 30,002,448</u>

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 4. CAPITAL ASSETS (continued):**

The following schedule summarizes capital assets activity for the Network for the fiscal year 2019 (as restated):

	Beginning Balances June 30, 2018	Increases	Decreases	Ending Balances June 30, 2019
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 583,269	\$ -	\$ -	\$ 583,269
Construction in progress	4,761,384	2,352,126	-	7,113,510
Total capital assets not being depreciated	5,344,653	2,352,126	-	7,696,779
Other capital assets:				
Buildings and improvements	19,384,017	17,575	-	19,401,592
Equipment and furniture	72,646,483	6,069,601	-	78,716,084
Vehicles	1,397,397	262,629	(54,861)	1,605,165
Total other capital assets	93,427,897	6,349,805	(54,861)	99,722,842
Less accumulated depreciation for:				
Buildings and improvements	8,919,063	567,741	-	9,486,804
Equipment and furniture	66,602,917	2,352,043	-	68,954,960
Vehicles	1,157,376	86,059	(54,861)	1,188,574
Total accumulated depreciation	76,679,356	3,005,843	(54,861)	79,630,338
Other capital assets, net	16,748,541	3,343,962	-	20,092,503
Total capital assets, net	\$ 22,093,194	\$ 5,696,088	\$ -	\$ 27,789,282

Depreciation expense for the years ended June 30, 2020 and 2019 was \$4,834,281 and \$3,005,843, respectively. Construction in progress consisted of costs incurred related to the Network's repacking of the broadcast spectrum at June 30, 2020. Construction in progress consisted of costs incurred related to the Network's repacking of the broadcast spectrum and the acquisition and upgrade of a satellite and uplink truck at June 30, 2019.

Pursuant to Proviso 73.18 of the 2004-05 Appropriations Act, the Network transferred ownership of land and buildings to the State under the control of the Department of Administration effective July 1, 2004. The State considers these assets to be owned by the Network for reporting purposes. The Network is responsible for all costs of maintaining the properties including the costs of insurance.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 5. LEASES AND LICENSES:**

**Operating Leases**

The Network conducts part of its operations from leased facilities which include towers and office space. The Network also leases mailroom equipment and copiers. All leases are with third or unrelated parties. These leases begin expiring with fiscal year 2021 and continue through fiscal year 2037. The Network has the option to renew the tower leases upon the expiration of the lease term under conditions agreeable to both parties which primarily is an increase in the lease payment based on the Consumer Price Index (CPI). All leases with terms of more than twelve months are cancelable without penalty to the Network should the General Assembly not provide funding for these leases. The Network also leases equipment on a month-to-month basis. In the normal course of business, operating leases are generally renewed or replaced by other leases.

The Network is responsible for maintenance on most leased property. Rental payments under all operating leases totaled \$436,581 and \$417,840 for the years ended June 30, 2020 and 2019, respectively.

At June 30, 2020, the Network's obligations under non-cancelable operating leases having remaining terms in excess of one year are as follows for fiscal years ending June 30,

2021	\$ 308,537
2022	283,362
2023	107,667
2024	74,394
2025	30,000
2026-2030	150,000
2031-2035	150,000
2036-2040	<u>52,500</u>
Total	<u>\$ 1,156,460</u>

The Network subleases various properties to third parties. Under these lease agreements for the fiscal years ended June 30, 2020 and 2019 the Network received rent of \$172,504 and \$173,715, respectively.

The minimum rentals to be received under non-cancelable leases with remaining terms in excess of one year are as follows for fiscal years ending June 30,

2021	\$ 150,585
2022	123,945
2023	107,254
2024	46,662
2025	19,800
2026-2030	<u>31,350</u>
Total	<u>\$ 479,596</u>



**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 5. LEASES AND LICENSES (continued):**

**Licensing Agreements**

The Network manages licensing contracts for all State towers. Under these license agreements, the Network received rent of \$762,464 and \$745,440 for the years ended June 30, 2020 and 2019, respectively.

The minimum rentals to be received under non-cancelable leases with remaining terms in excess of one year are as follows for fiscal years ending June 30,

2021	\$ 726,855
2022	737,357
2023	733,032
2024	569,345
2025	474,022
2026-2030	<u>774,227</u>
Total	<u>\$ 4,014,838</u>

**NOTE 6. LONG-TERM LIABILITIES:**

Long-term liability activity for the year ended June 30, 2020 was as follows:

	Balances, July 1, 2019	Additions	Reductions	Balances, June 30, 2020	Due Within One Year
Accrued compensated absences and related benefits	\$ 1,136,181	\$ 962,962	\$ 712,626	\$ 1,386,517	\$ 655,703
	<u>\$ 1,136,181</u>	<u>\$ 962,962</u>	<u>\$ 712,626</u>	<u>\$ 1,386,517</u>	<u>\$ 655,703</u>

Long-term liability activity for the year ended June 30, 2019 was as follows:

	Balances, July 1, 2019	Additions	Reductions	Balances, June 30, 2020	Due Within One Year
Accrued compensated absences and related benefits	\$ 955,201	\$ 825,515	\$ 644,535	\$ 1,136,181	\$ 673,933
	<u>\$ 955,201</u>	<u>\$ 825,515</u>	<u>\$ 644,535</u>	<u>\$ 1,136,181</u>	<u>\$ 673,933</u>

**NOTE 7. RELATED PARTY TRANSACTIONS:**

A significant portion of the funding of the Network is provided by the ETV Endowment of South Carolina, Inc. (the "Endowment") and South Carolina Educational Communications, Inc. (Communications), separately chartered eleemosynary corporations governed by independent boards of trustees over whom the Network exercises no control. The Endowment and Communications provide support services for the Network through the purchasing and underwriting of various programming. The Network recorded contribution revenue of approximately \$7,177,000 and \$6,265,000 during the years ended June 30, 2020 and 2019, respectively, from the Endowment and Communications.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 8. TRANSACTIONS WITH OTHER STATE AGENCIES:**

The Network has significant transactions with the State and various State agencies. Services received at no cost from State agencies include maintenance of certain accounting records and payroll and disbursement processing from the Comptroller General; debt assistance services, check preparation and banking from the State Treasurer; legal services from the Attorney General; and records storage from the Department of Archives and History. Other services received at no cost from the various divisions of the Department of Administration, State Fiscal Accountability Authority, and the South Carolina Public Employee Benefit Authority ("PEBA") include retirement plan administration, insurance plan administration, procurement services, grant services, personnel management, assistance in the preparation of the State Budget, property management and record keeping, review and approval of certain budget amendments and other centralized functions.

Significant payments were made to divisions of the Department of Administration, the State Fiscal Accountability Authority, and PEBA for retirement and insurance plan contributions, insurance coverage, printing, and telephone. Approximately \$50,000 and \$53,000 was paid to the State Accident Fund and the Department of Employment and Workforce for worker's compensation and unemployment insurance during the years ended June 30, 2020 and 2019, respectively.

The Network provided no services free of charge to other State agencies during the fiscal years ended June 30, 2020 and 2019. Revenues of approximately \$493,000 and \$1,776,000 were received from various State agencies in 2020 and 2019, respectively.

During the fiscal years ended June 30, 2020 and 2019, the Network purchased services with a total cost of approximately \$812,000 and \$562,000, respectively from various State agencies. These expenditures are primarily for taxes, insurance, telecommunications and other contracted services.

**NOTE 9. PENSION PLAN:**

PEBA is the state agency responsible for the administration and management of the various Retirement Systems (the "Systems") and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

## **SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019**

#### **NOTE 9. PENSION PLAN (continued):**

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with GAAP. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a CAFR containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

#### **Plan Descriptions**

- The South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.
- The State Optional Retirement Program ("State ORP") is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party record keepers.
- The Network does not participate in the Police Officers Retirement System ("PORS").

#### **Membership**

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

## **SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019**

#### **NOTE 9. PENSION PLAN (continued):**

- State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State ORP. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party record keepers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the State ORP vendor for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

#### **Benefits**

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of the benefit terms for each system is presented below.

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

#### **Contributions**

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year through July 1, 2022. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

# SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

### NOTE 9. PENSION PLAN (continued):

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July 1, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

Required employer and employee contribution rates for the past three years are as follows:

	SCRS Rates			ORP Rates		
	2020	2019	2018	2020	2019	2018
Employer Contribution Rate						
Retirement	15.41%	14.41%	13.41%	15.41%*	14.41%*	13.41%*
Incidental Death Benefit	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
Employee Contribution Rate	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%

\* Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the State ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to SCRS.

### Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2015.

The June 30, 2019, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2018. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2019, using generally accepted actuarial principles.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 9. PENSION PLAN (continued):**

The June 30, 2018, TPL, NPL, and sensitivity information shown in this report were determined by our consulting actuary, GRS and are based on an actuarial valuation performed as of July 1, 2017. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2018, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2019 and 2018.

	<b>SCRS</b>
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	3.0% to 12.5% (varies by service)
Benefit adjustments	lesser of 1% or \$500 annually

\*Includes inflation at 2.25%

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2019 and 2018 TPL are as follows.

<b>Former Job Class</b>	<b>Males</b>	<b>Females</b>
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

**Net Pension Liability**

The net pension liability ("NPL") is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. As of June 30, 2020 and 2019, the NPL totals for SCRS are presented below:

<b>System</b>	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Employers' Net Pension Liability</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
SCRS – 2020	\$50,073,060,256	\$27,238,916,138	\$22,834,144,118	54.40%
SCRS – 2019	\$48,821,730,067	\$26,414,916,370	\$22,406,813,697	54.10%

## **SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019**

#### **NOTE 9. PENSION PLAN (continued):**

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

The Network's proportionate share of the net pension liability was calculated on the basis of historical employer contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. For the years ending June 30, 2020 and 2019, the Network's percentage of the SCRS net pension liability was 0.061287% and 0.064664% respectively. The Network's proportionate share is determined by its percentage of total contributions to SCRS during the respective fiscal year. The change in percentage resulted in the Network recognizing a change in its proportionate share of the SCRS net pension liability at related deferred outflows and inflows of resources.

#### **Long-term Expected Rate of Return**

For the year ended June 30, 2019, the long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2019 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

For the year ended June 30, 2018, the long-term expected rate of return on pension plan investments is based upon 30-year capital market assumptions. The long-term expected rate of returns represents assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

#### **Discount Rate**

The discount rate used to measure the TPL was 7.25 percent at June 30, 2019 and 2018. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 9. PENSION PLAN (continued):**

Expected returns at June 30, 2019 were as follows:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
<b>Global Equity</b>	<b>51.0</b>		
Global Public Equity <sup>1,2</sup>	35.0	7.29%	2.55%
Private Equity <sup>2,3</sup>	9.0%	7.67%	0.69%
Equity Options Strategies <sup>1</sup>	7.0%	5.23%	0.37%
<b>Real Assets</b>	<b>12.0</b>		
Real Estate (Private) <sup>2,3</sup>	8.0%	5.59%	0.45%
Real Estate (REITs) <sup>2</sup>	1.0%	8.16%	0.08%
Infrastructure (Private) <sup>2,3</sup>	2.0%	5.03%	0.10%
Infrastructure (Public) <sup>2</sup>	1.0%	6.12%	0.06%
<b>Opportunistic</b>	<b>8.0%</b>		
Global Tactical Asset	7.0%	3.09%	0.22%
Other Opportunistic Strategies	1.0%	3.82%	0.04%
<b>Credit</b>	<b>15.0</b>		
High Yield Bonds/ Bank	4.0%	3.14%	0.13%
Emerging Markets Debt	4.0%	3.31%	0.13%
Private Debt <sup>2,3</sup>	7.0%	5.49%	0.38%
<b>Rate Sensitive</b>	<b>14.0</b>		
Core Fixed Income <sup>1</sup>	13.0	1.62%	0.21%
Cash and Short Duration (Net)	1.0%	0.31%	0.00%
Total Expected Real Return <sup>4</sup>	<u>100.0</u>		<u>5.41%</u>
Inflation for Actuarial			<u>2.25%</u>
Total Expected Nominal			<u>7.66%</u>

<sup>1</sup> Portable Alpha Strategies will be capped at 12% of total assets; Hedge funds (including all hedge funds used in portable alpha implementation) capped at 20% of total assets.

<sup>2</sup> The target weights to Private Equity, Private Debt, Private Infrastructure and Private Real Estate will be equal to their actual weights as of prior month end. Private Equity and Public Equity combine for 44 percent of entire portfolio. Private Debt and High Yield/Bank Loans combine for 11 percent of the entire portfolio. Private Infrastructure and Public Infrastructure combine for 3 percent of the entire portfolio. Private Real Estate and Real Estate (REITs) combine for 9 percent of entire portfolio.

<sup>3</sup> RSIC staff and Consultant will notify the Commission if Private Markets assets exceed 25% of total assets.

<sup>4</sup> The expected return for each of the Portable Alpha asset classes includes the expected return attributed to the Overlay Program. For benchmarking purposes there is a 10% weight assigned to Portable Alpha Hedge Funds in the Policy Benchmark.



**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 9. PENSION PLAN (continued):**

Expected returns at June 30, 2018 were as follows:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
<b>Global Equity</b>	<b>47.0%</b>		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
<b>Real Assets</b>	<b>10.0%</b>		
Real Estate (Private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
<b>Opportunistic</b>	<b>13.0%</b>		
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other Opportunistic Strategies	3.0%	3.75%	0.11%
<b>Diversified Credit</b>	<b>18.0%</b>		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
<b>Conservative Fixed Income</b>	<b>12.0%</b>		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	2.0%	0.34%	0.01%
Total Expected Real Return	100%		5.03%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.28%

**Sensitivity Analysis**

The following table presents the collective NPL of the participating employers calculated using the discount rate of 7.25 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

<b>Sensitivity of the Proportional Share of Net Pension Liability to Changes in the Discount Rate</b>			
<b>System</b>	<b>1.00% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1.00% Increase (8.25%)</b>
SCRS – 2020	\$ 17,629,918	\$ 13,994,322	\$ 10,960,207
SCRS – 2019	\$ 18,514,376	\$ 14,489,098	\$ 11,611,409

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 9. PENSION PLAN (continued):**

**Deferred Outflows (Inflows) of Resources**

For the year ended June 30, 2020, the Network recognized pension expense of \$301,142 which is included in the statement of activities. At June 30, 2020, the Network reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,166,581	\$ —
Differences in expected and actual retirement plan experience	9,620	(100,533)
Changes in assumptions	282,006	—
Net differences between projected and actual earnings on plan investments	123,896	—
Change in proportionate share of net pension liability	209,018	(551,606)
	<u>\$ 1,791,121</u>	<u>\$ (652,139)</u>

For the year ended June 30, 2019, the Network recognized pension expense of \$492,777 which is included in the statement of activities. At June 30, 2019, the Network reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 942,302	\$ —
Differences in expected and actual retirement plan experience	26,155	(85,264)
Changes in assumptions	574,846	—
Net differences between projected and actual earnings on plan investments	230,159	—
Change in proportionate share of net pension liability	361,754	(115,052)
	<u>\$ 2,135,216</u>	<u>\$ (200,316)</u>

The Network reported \$1,166,581 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years. The following schedule reflects the amortization of the Network's proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2020. Average remaining services lives of all employees provided with pensions through the pension plans at June 30, 2020 and 2019 was 4.073 and 4.080 years, respectively, for SCRS.

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRS
2020	2021	\$ 341,056
2021	2022	(246,431)
2022	2023	(165,133)
2023	2024	42,909
Net balance of deferred outflows (inflows) of resources		<u>\$ (27,599)</u>

**Additional Financial and Actuarial Information**

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2019 and 2018 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2019 and 2018.

## **SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019**

#### **NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS:**

PEBA is a state agency responsible for the administration and management of the state's employee insurance programs, other post-employment benefits trusts. By law, the SFFA, which consists of five elected officials, also reviews certain PEBA Board decisions in administering the State Health Plan and other post-employment benefits (OPEB). See Note 9 for more details on PEBA and the SFAA.

PEBA, Insurance Benefits issues audited financial statements and required supplementary information for the OPEB Trust Fund. This information is publicly available through the Insurance Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov) or a copy may be obtained by submitting a request to PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, OPEB Trust fund financial information is also included in the comprehensive annual financial report of the state.

#### **Plan Description**

The Other Post-Employment Benefits Trust Fund (OPEB Trust), refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) established by the State of South Carolina as Act 195, which became effective on May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans.

In accordance with Act 195, the OPEB Trust is administered by the PEBA, Insurance Benefits and the State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee.

The OPEB Trust is a cost-sharing multiple-employer defined benefit plan. Article 5 of the State Code of Laws defines the plan and authorizes the Trustee to at any time adjust the plan, including its benefits and contributions, as necessary to insure the fiscal stability of the plan. In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental benefits to retired State and school district employees and their covered dependents.

#### **Benefits**

The SCRHITF is a healthcare plan that covers retired employees of the State of South Carolina, including all agencies, and public-school districts. The SCRHITF provides health and dental insurance benefits to eligible retirees. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15-24 years of service for 50% employer funding.

#### **Contributions and Funding Policies**

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires the postemployment and long-term disability benefits to be funded through non-employer and employer contributions for active employees and retirees to the PEBA – Insurance Benefits. Non-employer contributions consist of an annual appropriation by the General Assembly and the statutorily required transfer from PEBA – Insurance Benefits reserves.

# SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

### NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued):

The SCRHITF is funded through participating employers that are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office on active employee covered payroll. The covered payroll surcharge for the year ended June 30, 2019 was 6.05 percent. The South Carolina Retirement System collects the monthly covered payroll surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs. Non-employer contributions include the mandatory transfer of accumulated PEBA – Insurance Benefits' reserves and the annual appropriation budgeted by the General Assembly. It is also funded through investment income.

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trust, and additions to and deductions from the OPEB Trust fiduciary net position have been determined on the same basis as they were reported by the OPEB Trust. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

#### Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

Additional information as of the latest actuarial valuation for SCRHITF as of June 30, 2019 is as follows:

<b>Valuation Date:</b>	June 30, 2018
<b>Actuarial Cost Method:</b>	Entry Age Normal
<b>Inflation:</b>	2.25%
<b>Investment Rate of Return:</b>	2.75%, net of OPEB Plan investment expense; including inflation
<b>Single Discount Rate:</b>	3.13% as of June 30, 2019
<b>Demographic Assumptions:</b>	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
<b>Mortality:</b>	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
<b>Health Care Trend Rate:</b>	Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 14 years
<b>Retiree Participation:</b>	79% for retirees who are eligible for funded premiums 59% participation for retirees who are eligible for Partial Funded Premiums 20% participation for retirees who are eligible for Non-Funded Premiums
<b>Notes:</b>	There were no benefit changes during the current year; the discount rate changed from 3.62% as of June 30, 2018 to 3.13% as of June 30, 2019; minor updates were made to the healthcare trend rate assumption

# SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

### NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued):

Additional information as of the latest actuarial valuation for SCRHITF as of June 30, 2018 is as follows:

<b>Valuation Date:</b>	June 30, 2017
<b>Actuarial Cost Method:</b>	Entry Age Normal
<b>Inflation:</b>	2.25%
<b>Investment Rate of Return:</b>	4.00%, net of OPEB Plan investment expense; including inflation
<b>Single Discount Rate:</b>	3.62% as of June 30, 2018
<b>Demographic Assumptions:</b>	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
<b>Mortality:</b>	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
<b>Health Care Trend Rate:</b>	Initial trend starting at 6.75% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 15 years
<b>Retiree Participation:</b>	79% for retirees who are eligible for funded premiums 59% participation for retirees who are eligible for Partial Funded Premiums 20% participation for retirees who are eligible for Non-Funded Premiums
<b>Notes:</b>	There were no benefit changes during the current year; the discount rate changed from 3.59% as of June 30, 2017 to 3.62% as of June 30, 2018

### Rollforward Disclosures

The total OPEB liabilities were determined by actuarial valuations performed as of June 30, 2018 and 2017. Update procedures were used to roll forward the total OPEB liabilities to June 30, 2019 and 2018.

### **Net OPEB Liability**

The Net OPEB Liability (NOL) is calculated separately for each OPEB Trust Fund and represents that particular Trust's Total OPEB Liability (TOL) determined in accordance with GASB No. 74 less that Trust's fiduciary net position. The Network's proportionate share of the Net OPEB liability was calculated using its payroll-related contributions over the measurement period. This method is expected to be reflective of the employer's long-term contribution effort as well as be transparent to individual employers and their external auditors.

The following table represents the components of the net OPEB liability:

<b>OPEB Trust</b>	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>
SCRHITF – 2019	\$16,516,264,617	\$1,394,740,049	\$15,121,524,568	8.44%
SCRHITF – 2018	\$15,387,115,010	\$1,216,530,062	\$14,170,584,948	7.91%

The TOL is calculated by the Trusts' actuary, and each Trust's fiduciary net position is reported in the Trust's financial statements. The NOL is disclosed in accordance with the requirements of GASB No. 74 in the Trusts' notes to the financial statements and required supplementary information. Liability calculations performed by the Trusts' actuary for the purpose of satisfying the requirements of GASB Nos. 74 and 75 and are not applicable for other purposes, such as determining the Trusts' funding requirements.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued):**

The Network's proportionate share of the NOL was based on a projection of the Network's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020 and 2019, the Network's proportion under SCRHITF was 0.07727% and 0.080275%, respectively. The Network's NOL recorded for SCRHITF as of June 30, 2020 and 2019 is presented below:

<b>Measurement Period Ended June 30,</b>	<b>Fiscal Year Ended June 30,</b>	<b>SCRHITF</b>
2019	2020	\$11,683,948
2018	2019	\$11,375,437

**Single Discount Rate**

The Single Discount Rate of 3.13% and 3.56% was used to measure the total OPEB liability for the SCRHITF at June 30, 2019 and 2018, respectively. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

**Long-term Expected Rate of Return**

The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 and 2017 fiscal years. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation. This information is summarized in the following tables.

At June 30, 2019:

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Expected Arithmetic Real Rate of Return</b>	<b>Long Term Expected Portfolio Real Rate of Return</b>
U.S. Domestic Fixed Income	80.0%	0.60%	0.48%
Cash	20.0%	0.10%	0.02%
Total Expected Real Return	100%		0.50%
Expected Inflation			2.25%
<b>Total</b>			<b>2.75%</b>
Investment Return Assumption			2.75%

At June 30, 2018:

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Expected Arithmetic Real Rate of Return</b>	<b>Long Term Expected Portfolio Real Rate of Return</b>
U.S. Domestic Fixed Income	80.0%	2.09%	1.67%
Cash	20.0%	0.84%	0.17%
Total Expected Real Return	100%		1.84%
Expected Inflation			2.25%
<b>Total</b>			<b>4.09%</b>
Investment Return Assumption			4.00%

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued):**

**Sensitivity Analysis**

At June 30, 2019

The following table presents the Network's proportionate share of the SCRHITF's net OPEB liability calculated using a Single Discount Rate of 3.13% as well as what the Network's proportionate share of the net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

<b>OPEB Trust</b>	<b>1.00% Decrease (3.13%)</b>	<b>Current Discount Rate (3.13%)</b>	<b>1.00% Increase (3.13%)</b>
SCRHITF	\$ 13,851,178	\$ 11,683,948	\$ 9,944,657

Regarding the sensitivity of the Network's proportionate share of the SCRHITF's net OPEB liability to changes in the healthcare cost trend rates, the following table presents the Network's proportionate share of the net OPEB liability, calculated using the assumed trend rates as well as what the Network's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

<b>OPEB Trust</b>	<b>1.00% Decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1.00% Increase</b>
SCRHITF	\$ 9,535,350	\$ 11,683,948	\$ 14,482,058

At June 30, 2018

The following table presents the Network's proportionate share of the SCRHITF's net OPEB liability calculated using a Single Discount Rate of 3.62% as well as what the Network's proportionate share of the net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

<b>OPEB Trust</b>	<b>1.00% Decrease (2.62%)</b>	<b>Current Discount Rate (3.62%)</b>	<b>1.00% Increase (4.62%)</b>
SCRHITF	\$ 13,401,358	\$ 11,375,437	\$ 9,742,385

Regarding the sensitivity of the Network's proportionate share of the SCRHITF's net OPEB liability to changes in the healthcare cost trend rates, the following table presents the Network's proportionate share of the net OPEB liability, calculated using the assumed trend rates as well as what the Network's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

<b>OPEB Trust</b>	<b>1.00% Decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1.00% Increase</b>
SCRHITF	\$ 9,360,148	\$ 11,375,437	\$ 13,980,832

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued):**

**OPEB Expense and Deferred Outflows (Inflows) of Resources**

For the years ended June 30, 2020 and 2019, the Network recognized OPEB expense of \$221,320 and \$298,595, respectively.

At June 30, 2020, the Network reported deferred outflows (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>SCRHITF</u>		
OPEB contributions subsequent to measurement date	\$ 468,582	\$ —
Net differences between projected and actual experience	137,581	(379,791)
Changes in assumptions	773,137	(723,534)
Differences between projected and actual earnings on plan investments	13,668	—
Change in proportionate share	199,701	(389,795)
	<u>\$ 1,592,669</u>	<u>\$ (1,493,120)</u>

At June 30, 2019, the Network reported deferred outflows (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>SCRHITF</u>		
OPEB contributions subsequent to measurement date	\$ 412,144	\$ —
Net differences between projected and actual experience	170,409	(4,094)
Changes in assumptions	—	(926,426)
Differences between projected and actual earnings on plan investments	44,777	—
Change in proportionate share	238,084	(264)
	<u>\$ 865,414</u>	<u>\$ (930,784)</u>

The Network reported \$468,582 as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. The difference between projected and actual earnings on OPEB plan investments are reported as deferred outflows (inflows) of resources and will be amortized over a closed five-year period and recognized in pension expense in future years. The difference between expected and actual experience, changes in assumptions, and changes in proportionate share are reported as deferred outflows (inflows) of resources and will be amortized over the average of the expected remaining service lives of all employees that are provided OPEB through the OPEB plan (active and inactive members) determined as of the beginning of the measurement period. Average remaining service lives of all employees that are provided OPEB through the OPEB plan at the June 30, 2019 measurement date was 7.1330 years:

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRHITF
2020	2021	\$ (95,553)
2021	2022	(95,553)
2022	2023	(100,048)
2023	2024	(107,172)
2024	2025	16,414
Thereafter	Thereafter	12,879



## **SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019**

#### **NOTE 11. DEFERRED COMPENSATION PLANS:**

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the Network have elected to participate. The multiple-employer plans, created under Internal Revenue Code Section 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee.

The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

#### **NOTE 12. RISK MANAGEMENT:**

The Network is exposed to various risks of loss and maintains State or commercial insurance coverage for certain of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year. Settled claims have not exceeded this coverage in any of the past three years. The Network pays insurance premiums to certain other State agencies and commercial insurers to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits except for the deductibles.

State management believes it is more economical to manage certain risks internally and to set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

1. Claims of State employees for unemployment compensation benefits. This type of claim is handled through the South Carolina Department of Employment and Workforce.
2. Claims of covered employees for workers' compensation benefits for job-related illnesses or injuries. This type of claim is handled by the State Accident Fund.
3. Claims of covered public employees for health and dental insurance benefits. This type of claim is handled by the South Carolina Public Employee Benefit Authority – Insurance Benefits.
4. Claims of covered public employees for long-term disability and group-life insurance benefits. This type of claim is handled through the South Carolina Public Employee Benefit Authority – Insurance Benefits.

Employees elect health coverage through either a health maintenance organization or through the State's self-insured plan. All of the other coverage listed above are through the applicable State self-insurance plan except dependent and optional life premiums which are remitted to commercial carriers.

The Network and other entities pay premiums to the State's Insurance Reserve Fund (IRF) which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following assets, activities, and/or events:

1. Theft of, damage to, or destruction of assets;
2. Real property, its contents, and other equipment;
3. Motor vehicles;
4. Torts; and
5. Natural disasters.

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of property, boiler and machinery, and automobile liability. The IRF's rates are determined actuarially.

## **SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019**

#### **NOTE 12. RISK MANAGEMENT (continued):**

The Network obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation. The limit is \$100,000 per incident with a \$1,000 deductible. The Network self-insures above this amount because it feels the likelihood of loss is remote. No payments for uninsured losses were made during fiscal years ended June 30, 2020 and 2019.

The Network obtains broadcaster liability insurance through a commercial carrier covering media liability. The policy has a limit of \$1,000,000 with a \$10,000 deductible.

The Network has recorded insurance premium expenses in the applicable program expenditure category. These expenses do not include estimated claim losses and estimable premium adjustments.

The Network has not reported an estimated claims loss expenditure, and the related liability at June 30, 2020 and 2019, based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which states that a liability for claims must be reported if information prior to issuance of the financial statements indicates that it is probable and estimable for accrual that an asset has been impaired or liability has been incurred on or before June 30, 2020 and 2019 and the amount of the loss is reasonably estimable have not been satisfied.

In the fiscal years ended June 30, 2020 and 2019, the Network was unable to obtain business interruption insurance at a cost it considered economically justifiable. In addition, the Network's management believes for risk of loss the occurrence of which it considers a remote likelihood, it is more economical to manage such risks internally. The Network does not derive any revenue from advertising; therefore, no loss of revenue would occur if transmission capabilities were impaired.

The Network is unable to estimate lost revenues, the costs of relocation and temporary facilities for continuing operations, and the cost of replacement facilities for uninsured losses. During the fiscal years ended June 30, 2020 and 2019, the Network did not experience any losses as a result of business interruption.

In management's opinion, claim losses in excess of insurance coverage, if any, is unlikely and if it occurred, would not be significant. Therefore, no loss accrual has been made in these financial statements. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expense and liability should be accrued at year-end.

#### **NOTE 13. BROADBAND SPECTRUM LEASE:**

In November 2009, the State and the Network entered into a 30-year lease for excess spectrum capacity of broadband licenses managed by the Network and licensed from the FCC. For the first six months of the agreement, the funds went to the General Fund of South Carolina.

Beginning in July of 2011, the Network began to receive broadband spectrum lease funding that was collected and transferred by the Budget and Control Board (which subsequently became the Department of Administration). Beginning February 2013, the payments were made directly to the Network. The Network received payments of \$3,690,725 and \$3,408,943 during the years ended June 30, 2020 and 2019, respectively, which is included in rental fees.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 13. BROADBAND SPECTRUM LEASE (continued):**

Rental payments pursuant to budget provision to be received in the future are as follows:

2021	\$ 3,920,284
2022	3,920,284
2023	3,920,284
2024	3,920,284
2025	4,238,807
2026-2030	22,907,937
2031-2035	26,393,878
2036-2040	<u>27,243,495</u>
Total	<u>\$ 96,465,253</u>

**NOTE 14. CORRECTION OF ERROR:**

During the year ended June 30, 2020, the Network discovered that it had understated its capital assets, accumulated depreciation, depreciation expense, and net position in its government wide financial statements as of June 30, 2019. In addition, the related expenditures were incorrectly classified in the statement of revenues, expenditures, and changes in fund balance, however, total fund balance was properly reported. As a result, the Network has restated its financial statements for the year ended June 30, 2019. A summary of the effects of the restatement are detailed below:

	<u>2019</u> <u>(as originally reported)</u>	<u>2019</u> <u>(as restated)</u>
<b><u>Government wide financial statements</u></b>		
Capital assets	\$ 103,878,541	\$ 107,419,620
Accumulated depreciation	(79,119,689)	(79,630,338)
Net position	27,085,284	30,115,715
Depreciation expense	2,495,194	3,005,843
<b><u>General fund financial statements</u></b>		
Engineering	4,815,338	1,966,650
Transmissions & reception	2,484,133	1,791,740
Capital outlay	5,155,728	8,696,809

**NOTE 15. SUBSEQUENT EVENTS:**

Management of the Network has evaluated events subsequent to year end and through December 23, 2020, which is the date these financial statements were available to be issued. There were no subsequent events required to be disclosed in these financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS, UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Expenditures				
Internal Administration	\$ 1,883,500	\$ 5,363,000	\$ 4,796,574	\$ 566,426
Programs & Services:				
Engineering Administration	732,150	2,250,725	2,134,761	115,964
Transmissions & Reception	4,246,989	4,111,867	3,647,625	464,242
Communications	260,000	698,426	261,356	437,070
Education	1,846,000	1,451,498	1,356,180	95,318
Agency Local Other Education Services	1,005,000	652,817	648,774	4,043
Training & Assessment	185,000	241,961	241,961	-
Radio Content	1,495,000	2,492,647	2,139,996	352,651
National Content	2,092,000	2,468,675	2,144,820	323,855
Local & Transparency	3,748,934	5,091,417	2,295,874	2,795,543
Development/Fundraising	235,000	271,240	167,466	103,774
Underwriting	200,000	247,469	244,574	2,895
Marketing	60,000	41,982	41,982	-
Employer Contributions	2,623,863	3,761,510	3,107,990	653,520
Capital Outlay	17,000,000	15,264,710	7,548,929	7,715,781
	<u>\$ 37,613,436</u>	<u>\$ 44,409,944</u>	<u>\$ 30,778,862</u>	<u>\$ 13,631,082</u>

*See independent auditor's report.*

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS, UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Internal Administration	\$ 1,853,500	\$ 3,626,424	\$ 3,626,424	\$ -
Programs & Services:				
Engineering Administration	493,500	1,340,660	1,340,660	-
Transmissions & Reception	4,246,989	3,504,953	3,291,476	213,477
Communications	260,000	172,723	172,723	-
Education	1,846,000	1,186,490	1,186,490	-
Agency Local Other Education Services	1,005,000	523,888	523,888	-
Training & Assessment	185,000	196,635	196,635	-
Radio Content	1,495,000	1,899,157	718,204	1,180,953
National Content	2,092,000	840,494	66,046	774,448
Local & Transparency	3,043,600	2,950,214	2,945,103	5,111
Development/Fundraising	235,000	155,878	155,878	-
Underwriting	200,000	146,647	146,647	-
Marketing	60,000	74,478	74,478	-
Employer Contributions	2,153,668	2,720,519	2,720,519	-
Capital Outlay	17,000,000	9,069,864	9,069,864	-
	<u>\$ 36,169,257</u>	<u>\$ 28,409,024</u>	<u>\$ 26,235,035</u>	<u>\$ 2,173,989</u>

*See independent auditor's report.*

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULES - UNAUDITED  
JUNE 30, 2020**

**NOTE 1. BUDGETARY FUNDS**

South Carolina's Annual Appropriation Act, the State's legally adopted budget, does not present budgets by GAAP fund. Instead, it presents program-level budgets for the following two funds:

*General Funds.* These funds are general operating funds. The resources in the funds are primarily taxes. The State expends General Funds to provide traditional State government services.

*Total Funds.* The Total Funds column in the Appropriations Act includes all budgeted resources. Amounts in this column include General Funds as well as most, but not all, federal and department-generated resources. Total funds include portions of certain proprietary and capital project fund activities as well as most special revenue activities but exclude the pension trust funds and some other fiduciary fund activities.

The Network's legally adopted budget is part of the Total Funds budget for the State.

**NOTE 2. ORIGINAL AND FINAL BUDGETED AMOUNTS; BASIS OF PRESENTATION**

The original appropriations presented in the accompanying schedule for the Network include amounts in the Appropriations Act as well as any appropriation reductions specifically authorized by law to prevent duplicate appropriations. The terminology, classification, and format of the appropriations section of the accompanying schedule for the Network's governmental funds are substantively the same as for the legally enacted budget.

The State's General Assembly does not approve estimated revenue or fund balance amounts for Other Budgeted Funds which include the Network's Funds. However, Section 115 (*Recapitulations*) of the Appropriation Act includes net *source of funds* amounts (i.e. estimated cash brought forward from the previous fiscal year plus estimated revenue for the current fiscal year minus estimated cash to be carried forward to the following fiscal year) for three categories of Other Budgeted Funds: EIA, Non-Federal and Capital Projects. A budget versus actual comparison for all funds is presented as required supplementary information.

As operating conditions change, the Network may move appropriations between programs and classifications within programs. However, limits are placed on increasing/decreasing authorizations for personal services without SFAA approval. Also, a revision of budgeted amounts over and above the total revenues appropriated requires approval of the SFAA.

**NOTE 3. LEGAL LEVEL OF BUDGETARY CONTROL**

The Network maintains budgetary control at the level of summary objective category of expenditure within each program of each department or agency which is the level of detail presented in the accompanying schedule.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULES - UNAUDITED**  
**JUNE 30, 2020**

**NOTE 4. BASIS OF BUDGETING**

Current legislation states that the General Assembly intends to appropriate all monies to operate State government for the current fiscal year. Unexpended appropriations lapse on July 31 unless the department or agency is given specific authorization to carry them forward to the next fiscal year. Cash-basis accounting for payroll expenditures is used. State law does not precisely define the State's basis of budgeting. In practice, however, it is the cash basis with the following exceptions:

- Departments and agencies shall charge certain vendor and inter-fund payments against the preceding fiscal year's appropriations through July 14.
- All other revenues are recorded only when the Network receives the related cash.
- The accrual basis is used for other expenditures.

**NOTE 5. RECONCILIATION OF BUDGET TO GAAP REPORTING DIFFERENCES**

Budgetary accounting principles differ significantly from GAAP accounting principles. Basis differences arise because the basis of budgeting differs from the GAAP basis used to prepare the statement of revenues, expenditures, and changes in fund balance. While the Statement of Revenues, Expenditures, and Changes in Fund Balance report several funds, the Network's legally adopted budget covers the Network as a whole. In addition, there are basis differences between the budgetary comparison schedules for Network as compared to the Statement of Revenues, Expenditures, and Changes in Fund Balance are related to the modified accrual basis of accounting which include accounts receivable and accounts payable as revenues and expenditures in the current year while the budgetary basis would include those amounts in the year that payments were actually received or paid. Additionally, certain expenses paid on behalf of or reimbursed to the Network by the Endowment have reduced expenditures on a budgetary basis but are reported gross under the modified accrual basis of accounting. A reconciliation of the budgetary basis expenditures to the GAAP basis expenditures is below:

	<b>2020</b>	<b>2019</b>
Total Expenditures, Budgetary Basis	\$ 30,778,862	\$ 26,235,035
Change in accounts payable	303,747	60,700
Change in accrued expenses	(103,071)	(110,368)
Reimbursements received from ETV Endowment classified as reduction of expenditures on budgetary basis	-	3,270,965
Amounts paid by ETV Endowment on behalf of the Network and classified as expenditures	2,662,368	1,864,960
Other basis differences	(222,575)	(299,083)
Total Expenditures, GAAP Basis	<u>\$ 33,419,331</u>	<u>\$ 31,022,209</u>



**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**  
**SCHEDULE OF THE SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION'S**  
**PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - UNAUDITED**  
**SOUTH CAROLINA RETIREMENT SYSTEM**  
**AS OF JUNE 30, 2020**  
**LAST SEVEN FISCAL YEARS**

	2020	2019	2018	2017	2016
SCETV's proportion of the net pension liability	0.061287%	0.064664%	0.063770%	0.061492%	0.063680%
SCETV's proportionate share of the net pension liability	\$ 13,994,322	\$ 14,489,098	\$ 14,355,653	\$ 13,134,600	\$ 12,077,219
SCETV's covered payroll	\$ 6,471,717	\$ 6,700,966	\$ 6,434,178	\$ 5,954,702	\$ 5,970,789
SCETV's proportionate share of the net pension liability as a percentage of covered payroll	216.24%	216.22%	223.12%	220.58%	202.27%
Plan fiduciary net position as a percentage of the total pension liability	54.4%	54.1%	53.3%	52.9%	57.0%
	2015	2014			
SCETV's proportion of the net pension liability	0.0643510%	0.0643510%			
SCETV's proportionate share of the net pension liability	\$ 11,079,109	\$ 11,542,274			
SCETV's covered payroll	\$ 5,842,255	\$ 5,961,321			
SCETV's proportionate share of the net pension liability as a percentage of covered payroll	189.64%	193.62%			
Plan fiduciary net position as a percentage of the total pension liability	59.9%	56.4%			

Note: The amounts presented for each fiscal year were determined as of June 30th of the preceding year. Only seven years of information are presented as only seven years of data were available. The Network will add an additional year of data until a total of ten years is presented.

*See independent auditor's report.*

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**  
**SCHEDULE OF THE SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION'S**  
**CONTRIBUTIONS**  
**SOUTH CAROLINA RETIREMENT SYSTEM - UNAUDITED**  
**AS OF JUNE 30, 2020**  
**LAST TEN FISCAL YEARS**

	2020	2019	2018	2017	2016
Contractually required contribution	\$ 1,166,581	\$ 942,282	\$ 908,651	\$ 743,791	\$ 658,590
Contributions in relation to the contractually required contribution	1,166,581	942,282	908,651	743,791	658,590
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
SCETV covered payroll	7,497,307	6,471,717	6,700,966	6,434,178	5,954,702
Contributions as a percentage of the covered payroll	15.56%	14.56%	13.56%	11.56%	11.06%
	2015	2014	2013	2012	2011
Contractually required contribution	\$ 650,816	\$ 619,279	\$ 631,900	\$ 716,000	\$ 716,000
Contributions in relation to the contractually required contribution	650,816	619,279	631,900	716,000	716,000
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
SCETV covered payroll	5,970,789	5,842,255	5,961,321	7,505,241	7,625,133
Contributions as a percentage of the covered payroll	10.90%	10.60%	10.60%	9.54%	9.39%

*See independent auditor's report.*

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**  
**SCHEDULE OF THE SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION'S**  
**PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY**  
**SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND - UNAUDITED**  
**AS OF JUNE 30, 2020**  
**LAST FOUR FISCAL YEARS**

	2020	2019	2018	2017
SCETV's proportion of the net OPEB liability	0.077270%	0.080275%	0.078410%	0.078410%
SCETV's proportionate share of the net OPEB liability	\$ 11,683,948	\$ 11,375,437	\$ 10,620,506	\$ 11,344,854
SCETV's covered payroll	\$ 6,757,653	\$ 6,922,694	\$ 6,142,871	\$ 6,149,410
SCETV's proportionate share of the net OPEB liability as a percentage of covered payroll	172.90%	164.32%	172.89%	184.49%
Plan fiduciary net position as a percentage of the total OPEB liability	8.44%	7.91%	7.60%	6.62%

Note: The amounts presented for each fiscal year were determined as of June 30th of the preceding year. Only four years of information are presented as only four years of data were available. The Network will add an additional year of data until a total of ten years is presented.

*See independent auditor's report.*

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**  
**SCHEDULE OF THE SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION'S**  
**CONTRIBUTIONS**  
**SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND - UNAUDITED**  
**AS OF JUNE 30, 2020**  
**LAST TEN FISCAL YEARS**

	2020	2019	2018	2017	2016
Contractually required contribution	\$ 468,582	\$ 407,578	\$ 380,748	\$ 327,415	\$ 327,764
Contributions in relation to the contractually required contribution	468,582	407,578	380,748	327,415	327,764
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
SCETV covered payroll	7,497,312	6,757,653	6,922,694	6,142,871	6,149,410
Contributions as a percentage of the covered payroll	6.25%	6.03%	5.50%	5.33%	5.33%

	2015	2014	2013	2012	2011
Contractually required contribution	\$ 284,073	\$ 293,297	\$ 307,340	\$ 322,725	\$ 312,332
Contributions in relation to the contractually required contribution	284,073	293,297	307,340	322,725	312,332
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
SCETV covered payroll	5,681,459	5,961,321	6,754,717	7,505,241	8,008,520
Contributions as a percentage of the covered payroll	5.00%	4.92%	4.55%	4.30%	3.90%

*See independent auditor's report.*

## SUPPLEMENTARY INFORMATION

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**  
**SCHEDULE OF REVENUES - RADIO AND TELEVISION**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Radio	Television	Total
Revenues			
Contributions	\$ 2,028,311	\$ 5,078,235	\$ 7,106,546
Intergovernmental - State Agencies	54,814	1,772,325	1,827,139
Program sales	18,895	28,342	47,237
Corporation for Public Broadcasting, Inc. grant	279,092	2,377,400	2,656,492
Education Improvement Act	-	10,588,588	10,588,588
Private grants and contracts	10,055	48,007	58,062
Charges for services	408,183	1,099,672	1,507,855
Rental fees	478,646	4,442,405	4,921,051
Interest and other investment income	11,961	386,752	398,713
Royalties	-	59,486	59,486
Miscellaneous	179,074	202,007	381,081
	<u>\$ 3,469,031</u>	<u>\$ 26,083,219</u>	<u>\$ 29,552,250</u>

*See independent auditor's report.*

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**  
**SCHEDULE OF EXPENDITURES - RADIO AND TELEVISION**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Radio	Television	Total
Expenditures			
Internal administration	\$ 84,313	\$ 2,726,113	\$ 2,810,426
Programs & Services:			
Engineering administration	-	2,428,310	2,428,310
Transmissions & reception	457,657	4,118,915	4,576,572
Communications	22,323	721,771	744,094
Education	-	1,952,497	1,952,497
Agency, local & other education services	41,418	1,339,178	1,380,596
Training & assessment	-	102,782	102,782
Radio content	2,493,467	-	2,493,467
National content	-	2,827,185	2,827,185
Local & transparency	178,042	5,756,698	5,934,740
Development/Fundraising	11,669	377,299	388,968
Underwriting	199,955	299,933	499,888
Marketing	-	78,517	78,517
Capital outlay	-	7,201,289	7,201,289
	<u>\$ 3,488,844</u>	<u>\$ 29,930,487</u>	<u>\$ 33,419,331</u>

*See independent auditor's report.*

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**  
**SCHEDULE OF EXPENDITURES - RADIO AND TELEVISION**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Radio	Television	Total
Expenditures			
Internal administration	\$ 115,649	\$ 3,739,303	\$ 3,854,952
Programs & Services:			
Engineering administration	-	2,050,055	2,050,055
Transmissions & reception	443,471	3,298,843	3,742,314
Communications	10,543	340,889	351,432
Education	-	1,447,077	1,447,077
Agency, local & other education services	9,279	300,010	309,289
Training & assessment	-	69,229	69,229
Radio content	2,250,618	-	2,250,618
National content	-	2,526,434	2,526,434
Local & transparency	146,816	4,747,057	4,893,873
Development/Fundraising	10,433	337,340	347,773
Underwriting	154,955	232,432	387,387
Marketing	2,695	87,149	89,844
Capital outlay	-	8,701,932	8,701,932
	<u>\$ 3,144,459</u>	<u>\$ 27,877,750</u>	<u>\$ 31,022,209</u>

*See independent auditor's report.*



GOVERNMENTAL AUDITING SECTION

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mr. George L. Kennedy III, CPA  
State Auditor  
South Carolina Office of the State Auditor  
Columbia, South Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the South Carolina Educational Television Commission (the "Network") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Network's basic financial statements, and have issued our report thereon dated December 23, 2020.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Network's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Network's internal control. Accordingly, we do not express an opinion on the effectiveness of the Network's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Network's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## NETWORK'S RESPONSE TO FINDINGS

The Network's response to the finding identified in our audit is described in the accompanying schedule of findings. The Network's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Columbia, South Carolina  
December 23, 2020

*The Holla Group, P.A.*

SCHEDULE OF FINDINGS  
*SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION*  
For the Year Ended June 30, 2020

SECTION I -- SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued:	Unmodified
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Internal Control over Financial Reporting:

Material weakness(es) identified?	Yes
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Significant deficiency(ies) identified?	None Reported
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Noncompliance material to financial statements noted?	No
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SCHEDULE OF FINDINGS – Continued  
SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION  
For the Year Ended June 30, 2020

SECTION II -- FINANCIAL STATEMENT FINDINGS

Conditions Considered to be a Material Weakness

*2020-001: Project Expenses Not Properly Capitalized*

*Condition:* During the audit, it was noted that certain capital outlay was improperly expensed in the prior year. This resulted in a material restatement of the prior year in the amount of \$3,030,431.

*Context:* While performing inquiry analysis on some major expenditure variances, the Network noted capital outlay that was expensed in fiscal year 2019, but these amounts should have been capitalized.

*Criteria:* Generally accepted accounting principles require that capital outlay be recorded as capital assets and depreciated over the useful live of the capital outlay once it is placed in service.

*Cause:* Purchases of capital outlay are not being marked as an asset when they are recorded in the State of South Carolina's Enterprise Information System ("SCEIS") as the purchases are made.

*Effect:* During the year ended June 30, 2019, the Network understated its capital assets, accumulated depreciation, depreciation expense and net position in the government wide financial statements.

*Recommendation:* We recommend staff perform reviews of major project expenses on a regular basis to be sure that capital outlay is properly recorded in SCEIS.

SECTION III -- COMPLIANCE FINDINGS

None

SECTION IV -- SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

During our current audit, we reviewed the status of corrective action taken on the findings reported on the Network's financial statements for the year ended June 30, 2019, dated January 29, 2020. The following findings were reported:

*2019-001 Original Trial Balance Needed Adjustments*

We found that corrective action was taken on the above finding for fiscal year 2020 and therefore, the finding has since been resolved.



**SOUTH CAROLINA  
public radio**

South Carolina ETV • South Carolina Public Radio  
1041 George Rogers Boulevard, Columbia, SC 29201

**South Carolina Educational Television Commission  
Management Response**

December 18, 2020

The South Carolina Educational Television Commission (SCETV) respectfully submits the following corrective action plan for the year ended June 30, 2020.

Name and address of independent public accounting firm:

The Hobbs Group, P.A.  
1704 Laurel Street  
Columbia, South Carolina 29201

Audit Period: July 1, 2019 – June 30, 2020

The finding is discussed below:

2020-001: Project Expenses Not Properly Capitalized

Recommendation:

We recommend staff perform reviews of major project expenses on a regular basis to be sure that capital outlay is properly recorded in SCEIS.

Action Taken:

We have implemented procedures and practices to prevent this happening moving forward. The accounting staff will attend an annual training on assets and other key functions to stay compliant with State and Accounting guidelines. In addition, currently and moving forward, we will perform a regular review of the general ledger and prepare the necessary SCEIS functions to account for these asset errors.

If you have any questions or if additional information is needed, please contact Anthony Padgett at (803) 737-3240.

Sincerely,

  
Anthony Padgett (Dec 20, 2020 14:52 EST)

Anthony Padgett  
President and CEO